

SECTION II – SPECIFIC COMPLIANCE
FUND 40 – DEBT SERVICE FUND

District Taxes

District taxes must be recorded in the fund for which they were voted (Type II) or were certified by the Board of School Estimate (Type I). Debt Service requirements in Type II districts are certified directly by the secretary. In Type I districts the school debt service is part of the municipal budget and not reflected in the Type I school district's CAFR. Additional amounts certified to the county board of taxation after the issuance of tax bills by the municipality will be shown as an adjustment on the district's subsequent year's certificate and report of school taxes. These adjustments are generally the result of additional certifications for unanticipated debt service expenditures and should be reported as revenue via the accrual of a tax levy receivable.

The auditor should comment on any uncollected taxes as of June 30th (other than the special accruals referred to above), and make a recommendation that the board of education request the remittance of the balance from the municipality.

Debt Service Aid

Districts were advised that they would receive adjustments to Debt Service aid for the 2001-02 budget with the notifications of state aid in March, 2002. The auditor should obtain a copy of the 2002-03 Adjusted State Aid Summary (CEIFA-SA1NET) and the 2001-02 Debt Service Aid reports (SA17a and SA17b).

Please note that for fiscal years 2001-02 and 2002-03 state aid, the CEIFA-SA17 has been replaced with the CEIFA-SA17a and CEIFA-SA17b. For a complete explanation of these two reports, auditors should refer to the Explanatory Notes for the SA17a and SA17b Reports, Debt Service Aid for the 2002-03 Fiscal Year distributed to school districts with the debt service aid printouts of March, 2002.

The entry to establish the accounts receivable and recognize the deferred revenue for an increase in Type II debt service aid is shown below. No entry is required to revise the debt service budget since all debt service revenue changes are deferred until 2002-03.

Debt Service Fund

Dr. Intergovernmental Accounts Receivable – State (A/C 40-141)
 Cr. Deferred Revenues (A/C 40-481)

Rebatable Arbitrage

As indicated in Section II, Chapter 30, at the close of construction in the capital projects fund, both the liability for rebatable arbitrage and related assets typically are removed from the capital projects fund and reported instead in the debt service fund.

Budget Transfers

In accordance with *N.J.S.A. 18A:22-8.2*, no transfer may be made under this section from appropriations or surplus accounts for interest and debt redemption charges or items classified as general fund expenses except to other items so classified, or to the capital projects fund to supplement the proceeds from a bond authorization or lease purchase agreement upon application to and a formal finding by the commissioner that the transfer is in the best interest of both the students and taxpayers of the district after consideration of alternative corrective actions. Pursuant to *N.J.S.A. 18A:7G-31(c)*, a district board of education may, by board resolution, transfer capital reserve funds to the debt service fund for the purpose of offsetting principal and interest payments for bonded projects which are included in the district's long-range facilities plan.